

LEWIS COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1994

Schedule Of Federal Findings

1. The County Should Comply With Federal Cash Management Requirements

During November 1990, areas of Lewis County experienced severe flooding. Following issuance of a Presidential Major Disaster Declaration, the county was awarded a Federal Emergency Management Agency (FEMA) grant through the Washington State Department of Community, Trade, and Economic Development (DCTED - formerly Department of Community Development). These funds were used for flood related road construction, and acquisition of real property in an area subject to repeated flooding.

Our audit of requests for cash submitted to DCTED revealed that the county received cash advances of \$175,000 and \$75,000 during May 1992 and December 1992, respectively. However, significant expenditures for the project did not commence until January 1993, and the balance of the cash advances was not fully expended until October 1994.

This practice violates federal requirements concerning cash management. The federal "Common Rule," Sections.21(c) and .21(i), respectively, state in part:

Advances. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

Interest Earned on Advances. Grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency.

We were advised by county officials that the cash advances were not expended in a timely manner due to repeated delays in the project which were beyond their control.

The unused portion of the cash advances was invested in certain pooled investments by the county treasurer. Consequently, we have estimated that the county earned interest of approximately \$13,500 on these requested and granted cash advances in excess of immediate needs.

We recommend that the county develop policies and procedures to ensure compliance with federal cash management requirements on future federal grant programs.

We further recommend county and FEMA officials negotiate an agreement resolving repayment of the \$13,500 in interest earnings.